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Industrial Development Board

Twenty-third session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna
on Tuesday, 14 November 2000, at 10 a.m.

President: Mr ORTIZ (Spain)

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The meeting was called to order at 10.15 a.m.

OPENING OF THE SESSION

1. **The PRESIDENT** declared open the twenty-third session of the Industrial Development Board. He welcomed all participants, and congratulated the Republic of South Africa on recently becoming a member of UNIDO.

2. The new millennium provided a fitting opportunity for reflection on the objectives for the future. At the Millennium Assembly of the United Nations, the importance of multilateral cooperation had been emphasized. One of the basic priorities set out in the Millennium Declaration adopted by the General Assembly was the fight against poverty and several objectives had been identified, which included reducing levels of extreme poverty, promoting gender equality, implementing national strategies for sustainable development and preventing environmental degradation. With its programmes, UNIDO could and should make an active contribution to the achievement of those objectives.

3. He thanked all delegations for their cooperation during the last session of the Board and expressed the hope that the spirit of consensus would continue to prevail at the current session.

ORGANIZATION OF WORK

4. **The PRESIDENT** proposed that the Board once again decide to suspend rule 32 of the rules of procedure regarding the quorum. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

5. *It was so decided.*

ADOPTION OF THE AGENDA AND STATEMENT BY THE DIRECTOR-GENERAL
(IDB.23/1 and Add.1; IDB.23/CRP.6)

6. **The PRESIDENT** said that the provisional agenda (IDB.23/1) was based on that adopted by the Board in decision IDB.22/Dec.9 (see document GC.9/2). It included an additional item on UNIDO Global Environment Facility activities that had been proposed by the Director-General in accordance with rules 11 and 12 of the rules of procedure. It was also proposed that item 2 be amended to read "Adoption of the agenda and statement by the Director-General".

7. *It was so agreed.*

8. *The provisional agenda (IDB.23/1), as amended, was adopted.*

9. **Mr. VAIGL** (Observer for Slovenia), referring to item 9 concerning the proposed international centre for sustainable industrial development, said that, while, in the consultations that had taken place with regional groups, there had been support for the establishment of the centre, a number of questions had been raised with respect to legal implications. Having reviewed the situation, the Government of Slovenia would pursue the establishment of the centre under a UNIDO technical cooperation project governed by a self-financed trust fund agreement with UNIDO. The centre would therefore not be a subsidiary organ of the Board. In the light of those developments, it was not necessary for the Board to take up the consideration of the agenda item.

10. **Ms. QUINCY** (France), speaking on behalf of the European Union and the associated states of Bulgaria, Cyprus, the Czech Republic, Hungary, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, congratulated the Slovenian authorities on their decision and wished the centre every success.

11. **Mr. MAGARIÑOS** (Director-General) said that the Board, at its current session, should continue to focus its deliberations on the size and characteristics of the Organization's technical cooperation activities. Those topics were particularly relevant not only because of the need to fund integrated programmes but also in view of the process of decentralization and the portfolio of new initiatives.

12. Technical cooperation delivery in 1999 had amounted to $83.5 million and would fall to approximately $73 million in the year 2000. There were two main reasons for that reduction: the decline in the implementation of the Montreal Protocol and the reduction in stand-alone projects. In previous years, the reduction in technical cooperation delivery might have presented a problem for UNIDO's financial stability but, at the present juncture, would have no impact whatsoever on the Organization's financial performance given its sound financial management system, even though, like other agencies in the United Nations system, it was suffering from delays in the payment of contributions.

13. With regard to technical cooperation characteristics, 42 integrated programmes worth $212 million had been approved to date. That figure represented a 25 per cent reduction in the total amount of the portfolio, which was due to the revision made as a result of overlaps. Nearly 80 per cent of the funds raised for the integrated programmes, excluding funds allocated under the regular budget, were concentrated on just 10 programmes, the majority in Africa. As to the regional distribution, 40 per cent of the programme

budget related to sub-Saharan Africa, 26 per cent to the Arab region and 34 per cent to central and eastern Europe, Asia and Latin America. Since 1999, $63 million had been raised for integrated programmes and there were clear indications that that figure would rise to approximately $90 million by the end of 2001.

14. The level of project implementation under the Montreal Protocol was expected to stabilize at around $27 million per year, the decrease in 2000 being due mainly to the fact that UNIDO's share in previous years had been higher in relation to that of the other implementing agencies. With regard to investment and technology promotion offices (ITPOs) and the International Centre for Science and High Technology (ICS), the network was expected to stabilize in the next few years. Thirteen institutions were currently in existence, constituting an extraordinary network for UNIDO to promote investment and technology transfer.

15. Three years previously, UNIDO had been implementing more than 1,000 stand-alone projects and the old portfolio was being phased out to concentrate on new priorities and achieve a more integrated approach to technical cooperation delivery, a process that should be completed by 2001. Since September 1998, a number of stand-alone projects based on the new service modules had been phased in and the new portfolio was gradually increasing. A total of 105 stand-alone projects had been approved by the Managing Directors for a total value of $40 million, $29 million of which had already been approved by the United Nations Development Programme (UNDP) and donors. The regional distribution of those projects was 24 per cent for Africa, 38 per cent for Asia, 15 per cent for Europe and the Newly Independent States, 8 per cent for the Arab region and 6 per cent for Latin America, with interregional and global projects accounting for the remaining 9 per cent.

16. On the question of decentralization, it could be irresponsible for the Organization to embark upon a costly and painful exercise without a clear outline of the nature and scope of its field operations. However, failure to decentralize effectively could damage operational capacity and reduce UNIDO's comparative advantages over other organizations. It was a question of striking the right balance. The geographical distribution of technical cooperation activities, in particular those related to the implementation of integrated programmes and stand-alone projects, must be taken into consideration in the decentralization process. The implementation of the Montreal Protocol was a highly specialized activity and it did not make sense to dismantle an efficient branch at Headquarters or the existing ITPOs already distributed in other countries according to the interests of the donor Member States. Nevertheless, given the regional distribution of the main technical cooperation modalities, it did make sense to strengthen field operations in sub-Saharan Africa and possibly in the Arab region.

17. Although the technical cooperation portfolio should be a major criterion in determining the decentralization process, it should not be the sole one. Two other factors to be taken into account were the ongoing process of reform and coordination at the field level between agencies of the United Nations system, the Bretton Woods institutions and bilateral aid institutions and the decision by some countries to delegate to the field the authority for approving voluntary contributions. The scope of countries covered by UNIDO activities must also be considered. The best way to increase the collection rate of assessed contributions was by raising Member States' interest in the Organization through its portfolio of technical cooperation. Greater efforts needed to be made to ensure proper coverage of certain regions.

18. For those reasons and on the basis of more than two years' experience of utilizing the service modules and formulating integrated programmes, it had been concluded that a number of regional initiatives or programmes could be launched. Those initiatives, which were fully in line with the priorities established in the Business Plan on the Future Role and Functions of UNIDO, had been worked on during the current year and some of them were now being implemented. It was expected that, with those programmes, the portfolio of technical cooperation would total $95 million by the year 2003.

19. UNIDO's relevance and the measure of the success of its reforms should be evaluated on the basis of the implementation of the integrated programmes. If the present trend in collection rates continued, the Organization should be able to spend slightly more than $97 million on those programmes within a period of five years. Regional programmes could certainly be launched but the Organization's main efforts should be devoted to increasing the funding for the integrated programmes and ensuring their impact. In his view, the forecasts were realistic and achievable. For those who might consider them too ambitious, it should be noted that the proposed figure of $95 million for 2003 would still be below the levels of previous years. In 1994, technical cooperation had amounted to $101 million. The question whether the characteristics of the technical cooperation portfolio he had outlined corresponded to the wishes of Member States should be assessed taking into account the Organization's current situation as well as the challenges facing the United Nations system as a whole. Work was currently under way on the preparation of UNIDO's contribution to the implementation of the Millennium Declaration, information concerning which would be circulated to Member States in due course for comment.

20. In a few weeks, he would complete three years in office as Director-General. He was grateful to Member States for the opportunity they had afforded him of participating in a United Nations reform exercise, which was already proving successful. When he had assumed office, the Organization had been beset by instability, financial crisis and uncertainty about its future. Member States had been withdrawing or considering their withdrawal. Thousands of projects had been in the course of implementation. The Organization was now completely stable from the financial standpoint and most of the staff now had long-term contracts. Confidence among Member States had been renewed, to the extent that new countries were joining or contemplating membership. He was pleased to announce that South Africa had recently deposited the necessary instruments of accession, thereby becoming UNIDO's 169th Member State. Welcoming the South African delegation, he expressed the hope that the country, which represented both the developed and the developing world, would not only be a recipient of UNIDO's services but also be in a position to provide assistance. He looked forward to South Africa's cooperation with UNIDO in the South African Development Community (SADC) subregion, where the country had already been influential.

21. He was pleased to announce the first regional programme to be conducted by UNIDO in partnership with the European Union. That programme, which involved the establishment of a system of accreditation, standardization and quality promotion in the West African Economic and Monetary Union (WAEMU), was worth $12 million, of which UNIDO's implementation share was $8 million. Of equal importance was the partnership agreement signed the previous day with the Swedish telecommunications company Ericsson, thereby strengthening the Organization's cooperation with the private sector.

22. In today's world there was no longer any possibility of choosing among options or opposites; it was a question rather of reconciling them. His slogan for UNIDO's last three years would be "stability with change", the opposites which, in his acceptance speech at the 1997 General Conference session, he had proposed to reconcile. There could be no doubt that stability had been achieved, while the Organization had been profoundly changed. In the future that stability had to be maintained, while the changes should be made even more predictable. The process of decentralization and the launching of regional programmes should be carried out in that light. In 1997, changes had been decided upon in the midst of a crisis. The Organization now enjoyed the necessary stability to plan the future it wanted.

23. **Mr. PAULINICH** (Peru), speaking on behalf of the Group of 77 and China, and **Mr. HOSSEINI** (Islamic Republic of Iran), speaking on behalf of the Asian Group, welcomed South Africa as a member of the Organization.

24. **Mr. GONZALEZ** (Chile) said that it was necessary for UNIDO to take account in its work of the basic priorities for the international community outlined during the Millennium Assembly.

25. One of the long-standing dilemmas facing developing countries, and in particular the least developed countries (LDCs), was that they lacked the necessary tools and information to manage their great wealth of resources effectively. UNIDO could play an important role in that area and help to redress the balance through the establishment of a network of technology foresight centres. Activities aimed at the effective transfer of knowledge and technology should help to ensure the sustainable development of the countries in question.

26. It had been concluded at the recent Group of Eight (G-8) summit in Okinawa that, in the present-day information society, education and access to information were the only viable means of bridging the gap between the developing and the developed world. One obstacle to be overcome in that connection was the need for broader access to the Internet. It was a sad fact that only 1 per cent of the world's population currently had access to it. UNIDO was regarded as a technical agency, but could not remain so in the future unless it addressed such basic policy matters. Member States from the developing world stood ready to participate in the establishment of technology centres and in other innovative measures undertaken by the Organization.

27. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, hailed South Africa's membership of the Organization. That augured well for the reformed UNIDO, as did the announcement of further substantial financial contributions. Also welcome was the strengthened cooperation between the Organization and the European Commission, which, together with WAEMU, had decided to entrust UNIDO with the implementation of a support programme, costing some 8.2 million euros, for the establishment of an accreditation, standardization and quality promotion system for the WAEMU countries.

28. Thanks were due to the Secretariat for the presentations and meetings organized and contributions from leading figures, such as the European Commissioner for development aid, cooperation and humanitarian aid and the Executive Secretary of the United Nations Framework Convention on Climate Change, in preparation for the current session of the Board.

29. **Ms. PELLICER SILVA** (Mexico), speaking on behalf of the Latin American and Caribbean Group (GRULAC), welcomed the recent membership of South Africa, which would undoubtedly share with the Organization its experience of industrialization in such fields as agroindustry and mining. Her delegation was pleased to note that the Secretariat had already identified specific areas of cooperation with the South African Government. It hoped that South Africa's decision would prompt the return of other States to the Organization.

30. **Mr. PAULINICH** (Peru) said that the developing countries had viewed UNIDO's establishment in 1985 as a specialized agency of the United Nations as a sign of the international community's political will to consolidate the principles of the 1975 Lima Declaration and Plan of Action. The Business Plan adopted at the seventh session of the General Conference was based on the same principle, that of viewing sustainable industrial development as a joint responsibility. That approach was becoming increasingly important with the advent of globalization. Integrated technical cooperation programmes represented an important step in reducing the external vulnerability of developing countries with critical industrial development problems, in helping to maintain their sustainable economic growth and giving their peoples a better future. But without the necessary political support and resources from the international community, such initiatives would have little chance of success. The Organization's whole future would be at stake if the necessary funds for sustainable industrial development could not be found. His delegation was ready to help find a response to the Director-General's question as to what kind of UNIDO its Member States wished to have.

31. He welcomed the inclusion of agenda item 7, UNIDO Global Environmental Facility activities, which was highly topical in view of the sixth session of the Parties to the Framework Convention on Climate Change, which was currently taking place.

32. His country wished to welcome South Africa as a new member of UNIDO.

33. **Mr. MOWOE** (Nigeria), speaking on behalf of the African Group, and **Mr. BADDOU** (Morocco) welcomed South Africa to membership of the Organization.

34. **Mrs. HERNES** (Norway) said that following UNIDO's extensive reform it was now more capable of utilizing the resources available to promote industrial development, a primary tool in the struggle against poverty and marginalization. The Director-General and the Secretariat deserved credit for their hard work. However, reform must not become an end in itself: it must be translated into increased impact in the field and in a strengthened effort to pursue the Organization's aims.

35. Clearly, UNIDO could not indefinitely be expected to improve its efforts with decreasing funds. At some point, improved performance should be rewarded by increased support from Member States. Norway considered that that point had now been reached and was therefore making a voluntary contribution to UNIDO of six million Norwegian kroner—approximately $640,000—in addition to the funds it allotted to projects in Mozambique, Uganda and Sri Lanka and to its annual contribution to the Organization's budget. The voluntary contribution would be earmarked for the integrated programmes, specifically environmental projects concerning cleaner production and municipal waste management in sub-Saharan Africa. Since 1994, UNIDO, in cooperation with the United Nations Environment Programme (UNEP), had established four national centres for cleaner production in Africa, and there were plans for a further three such centres. Cleaner production was now a component in some 50 per cent of UNIDO's integrated programmes. The Organization's comprehensive approach to its work in sub-Saharan Africa matched the general approach of Norway to development cooperation. Her country was therefore pleased to be in a position to make a direct financial contribution to UNIDO's activities in that region.

36. She endorsed the welcome extended to South Africa on joining the Organization.

37. **Mr. SCHOOMBIE** (Observer for South Africa) acknowledged the warm words of welcome extended to South Africa by the Director-General and other speakers.

38. South Africa, which was giving top priority to economic development in Africa, was encouraged by the Organization's attention to the continent and would ensure that its own efforts were coordinated with those of UNIDO. While funding remained an international problem, the good governance and democracy now being established in Africa provided a promising basis for the continuation of UNIDO's good work.

39. Developing countries and those with economies in transition were facing unparalleled challenges in endeavouring to become equal partners in the globalized world. To meet those challenges, a concerted process of brainstorming, sharing of expertise and cooperation with the Organization, Member States and donor countries would be needed. South Africa pledged itself to play its full part in that process.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.23/2)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (IDB.23/3 and Corr.1, IDB.23/6, IDB.23/7 and Corr.1; IDB.22/2 and Corr.1 and Add.1)

(b) FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS (IDB.22/8; IDB.23/CRP.1)

(c) UNUTILIZED BALANCES OF APPROPRIATIONS, 1992-1993 AND 1996-1997 (IDB.23/5)

(d) FINANCIAL REGULATIONS (IDB.23/8)

(e) TRANSITION TO A SINGLE-CURRENCY SYSTEM (PBC.16/3, PBC.16/9; IDB.23/15 and Add.1)

(f) MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005 (IDB.23/4)

(g) MOBILIZATION OF FINANCIAL RESOURCES (IDB.23/5)

40. **Mr. RAMÍREZ GASTON** (Peru), speaking on behalf of the Group of 77 and China, said that the Group of 77 and China had participated constructively in the work of the sixteenth session of the Programme and Budget Committee and had supported the decisions adopted (see IDB.23/2). It had also taken part in the informal consultations convened by the Secretariat to examine some of the issues reviewed at that session. The Group of 77 and China had taken note of the report in document IDB.23/18 and would in due course evaluate and comment upon the results of the consultations

41. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, said that, while the European Union welcomed the improvements in UNIDO's financial situation, as shown in the report of the External Auditor (IDB.23/3 and Corr.1), it regretted that previous measures to encourage Member States to observe their financial commitments had not been effective. It therefore appealed once again to present and former Member States to pay their mandatory contributions immediately and in full, so as to enable UNIDO to discharge its mandate in the interest of developing countries.

42. The European Union had requested more information on the consequences of the Director-General's intention to introduce a new list of major objects of expenditure when presenting his next draft budget. It noted with satisfaction the details and explanations provided by the Secretariat during the recent consultations.

43. At the most recent session of the Programme and Budget Committee, the European Union had expressed the hope that thought would be given to how to make the sessions of the governing bodies more effective and to allocate more time to genuinely substantive discussions. To supplement the efforts already made by the Secretariat, in particular for the present session, it invited Member States to hold informal consultations in order to devise practical measures that might be adopted at a forthcoming session of the Board.

44. **Ms. PELLICER SILVA** (Mexico), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that, at the last session of the Programme and Budget Committee, the Director-General had described UNIDO's difficult situation. Although liquidity problems had now been overcome, the medium- and long-term situation still gave cause for concern. Two years after the Organization's far-reaching transformations, Member States were satisfied with the reforms. UNIDO was regularly mentioned in New York and elsewhere as an example of an organization that could do more with less. However, resources for technical cooperation for industrial development were still below the minimum acceptable level.

45. As part of the reforms and in accordance with the Business Plan, donor and beneficiary countries had embarked upon the formulation of integrated programmes. To cover current commitments for technical cooperation, a further sum of $40 million per year was needed, but unfortunately those resources were not arriving. The Director-General had put forward various alternatives to improve the situation, including accelerating decentralization, making further changes to the administrative structure of the Organization and giving more emphasis to global forum activities or to activities that offered new opportunities for development, such as the Kyoto Protocol and the Global Environment Facility (GEF). The question as to what kind of UNIDO Member States wanted needed to be asked again. The present session was particularly important in that the Board would endeavour to answer that question by considering the various proposals before it. GRULAC was grateful to the Secretariat for the consultations held on some of those issues and to the other regional groups that had participated in the discussions.

46. GRULAC firmly supported the Director-General's efforts to circulate within the United Nations system a yearly report on UNIDO's activities in the area of cooperation for industrial development and on plans

to strengthen and expand those activities in the future. It was extremely important for the Organization's work to have a higher profile in the governing bodies of the United Nations.

47. GRULAC believed in a UNIDO with appropriate resources to overcome its crisis, for which a decisive political commitment by all Member States was required, reflected in practical steps, one of which was the prompt payment of assessed contributions. Another was an increase in voluntary contributions, without which UNIDO could not carry out its mandate. Commitment to UNIDO, in particular by the industrialized world, had to be clear and unconditional.

48. **Mr. SAHINBAS** (Turkey) congratulated South Africa on joining the Organization.

49. UNIDO's achievements since 1997 bore witness to its commitment to adapt to the process of globalization. The Organization provided a good basis for the flexible delivery of integrated technical cooperation support. The Turkish delegation was pleased to note UNIDO's more stable financial situation in the period 1998-1999, the continuation of which would undoubtedly depend on the timely inflow of assessed contributions. The report of the External Auditor covering the biennium 1998-1999 (IDB.23/3 and Corr.1) contained useful analyses, observations and recommendations. His delegation welcomed the introduction of a single-currency system based on the euro, which would decrease problems of inaccuracy in accounting currency transactions and balances.

50. UNIDO needed to make other adjustments, in particular with regard to the medium-term programme framework, which should be considered in the context of overall developments and priority-setting within the United Nations system as a whole. The Organization had to be in a position to effectively address the challenges of the Millennium Declaration as far as poverty eradication and sustainable development were concerned. The promotion of a strategic vision was critical in demonstrating the importance of industrial development in efforts to promote socially sustainable patterns of development, including the creation of economic opportunities for disadvantaged and poor segments of the population to enable them to enter the mainstream of economic development.

51. Programmes aimed at the development of small and medium-sized enterprises (SMEs) made a substantial contribution to generating employment and income, overcoming social inequalities, reducing poverty, integrating the rural and urban poor into productive sectors and enhancing the position of women and disadvantaged groups. The Government of Turkey had signed a trust fund agreement with UNIDO for SME development in Azerbaijan, Uzbekistan and Kyrgyzstan, amounting to $226,000. The related project would be implemented by the UNIDO Centre for Regional Cooperation in Ankara.

52. **Mr. ZHANG Yishan** (China) welcomed the membership of South Africa, which was proof of the vital importance of UNIDO in the world today, and hoped that countries which had withdrawn from the Organization would return. The continued reform of UNIDO during the previous year had undoubtedly enhanced its effectiveness. Project implementation had also improved, delays had been reduced, UNIDO's finances were sound, the collection rate had improved and the number of countries in arrears had fallen.

53. His Government had always believed that industrial development was the basis for development for all countries and was sure that UNIDO had a special role to play in that respect. It had always attached great importance to cooperation with UNIDO and welcomed the results the Organization had achieved in promoting investment and technical cooperation. It felt sure that UNIDO would make further efforts to serve the needs of the developing countries in the future.

54. Following the Director-General's visit to his country in May, UNIDO had agreed to co-sponsor with China a regional forum on industrial development for Asia and the Pacific. Efforts were being made to ensure high-level participation in the meeting, which should have considerable impact on the way in which the countries involved might meet the challenges of globalization through industrial development and the revitalization of their economies.

55. His Government attached great importance to South-South cooperation. It had organized in October 2000 a forum on cooperation between China and Africa, attended by the President and the Prime Minister of China, who had urged further cooperation between China and Africa for the purpose of attaining their development goals. The conference had adopted a declaration for cooperation between China and Africa and a cooperation programme. China had undertaken to increase assistance to African countries gradually; to do away with the debt of the most indebted African countries and the least developed countries in two years, representing an amount of $1,200 million; to set up a special fund to encourage Chinese entrepreneurs and companies to invest in Africa; and to set up a development fund to assist African countries in training qualified staff.

56. In conclusion, China was ready to work with UNIDO to contribute to economic development throughout the world.

57. **Mr. NAIDUNOV** (Belarus) congratulated South Africa on becoming a member of UNIDO. The decision

taken by its Government showed the increased trust now placed in UNIDO.

58. He noted with satisfaction from the report of the External Auditor (IDB.23/3 and Corr.1) UNIDO's healthier financial position, with further improvements in its cash flow and the payment of arrears. He welcomed the introduction of major objects of expenditure into the budget planning process, which should make UNIDO more effective. He was grateful to the Secretariat for the high-quality information provided and the consultations held with Member States to give them a full picture of the proposed changes.

59. The question of the payment of assessed contributions in full and on time should be studied seriously and dealt with as a matter of urgency. UNIDO's success depended on the availability of resources. It was regrettable that there were still outstanding contributions. His own country had been in arrears in the payment of its contributions to a number of specialized agencies, partly because the United Nations scale of assessments in the case of Belarus had previously not corresponded to its actual ability to pay. Belarus was still faced with the costs of mitigating the consequences of the Chernobyl disaster but would do all in its power to ensure that its arrears were paid to UNIDO as soon as possible. Financial support for UNIDO must go hand in hand with political support for it. He called on all States in arrears to make a major effort to honour their commitments to the Organization and welcomed the negotiations held on the question of arrears with Member States which had left the Organization.

60. **Mr. LOSHCHININ** (Russian Federation) extended his congratulations to South Africa on joining UNIDO. Its membership was a sign of support for the work done by UNIDO and the Director-General and also had practical implications.

61. Having listened to the Director-General's statement, his first impression was very positive. Many of the ideas it contained were in line with his country's views on what UNIDO should become. His delegation welcomed the improvement in the Organization's financial situation.

62. He endorsed the appeal made by the representative of China to those countries which had left UNIDO to return. If it was difficult for them to do so at the moment, they must at least be prevailed upon to pay their arrears. During the current year the Russian Federation had paid $4 million to the Organization. It was making every effort to fulfil its commitments and hoped that others would do the same. UNIDO's activities could not be effective if two thirds of its members did not have the right to vote because they were in arrears. He urged UNIDO to implement the recommendations of the discussion group on timely payment of assessed contributions in order to ensure that Members settled their dues and to recover arrears from States that were no longer members of the Organization.

63. **Mr. KAMOHARA** (Japan) welcomed South Africa's membership in UNIDO.

64. It had been encouraging to note from the report of the External Auditor for the biennium 1998-1999 (IDB.27/3 and Corr.1) the positive developments in UNIDO's administration and its more stable financial situation during that period. However, there was still a need to improve its financial position further. The problem of the non-payment of assessed contributions should be solved as rapidly as possible. The lack of an adequate regular budget hampered the smooth implementation of UNIDO's activities in general and the effective delivery of technical cooperation in recipient countries. He urged Member States still in arrears to fulfil their obligations and requested the Director-General to continue the dialogue with them.

65. While his delegation had supported the decision adopted at the last General conference session concerning the application of the unutilized balances of appropriations for 1992-1993 and 1996-1997 for the implementation of the integrated programmes, his Government believed that such a decision, which was not in line with the Financial Regulations, should remain an exception to the rule. It supported a policy whereby the unutilized assessed contributions originating from the delay in Member States' payments might be utilized, with the Financial Regulations being revised for that purpose. That was a second-best option in cases where there were problems of arrears. If all assessed contributions were paid at the beginning of the biennium, there would be no need to discuss the question of amending the Financial Regulations. However, while problems of arrears were being faced, UNIDO must take steps for the effective use of the regular budget. His delegation strongly urged the continuation of substantial and constructive discussions on the matter.

66. His delegation hoped that UNIDO would continue its efforts to strengthen further the effectiveness of its activities and that a zero real growth budget would not be taken for granted. Japan preferred in principle to pursue a zero nominal growth budget and hoped that the Secretariat would continue its efforts to make savings wherever possible when preparing the next draft budget.

67. At the recent G-8 summit meeting in Okinawa, his Government had emphasized the possibilities which information technology could open up. It was important for UNIDO to make use of information technology in order to implement projects more efficiently in the

future. His delegation therefore hoped that the UNIDO Exchange programme would contribute to improving the planning, implementation and follow-up of the Organization's technical cooperation programmes and provide new services.

INTEGRATED PROGRAMMES (IDB.23/18, IDB.23/CRP.5)

68. **Mr. MAIZZA-NETO** (Assistant Director-General and Director, Executive Office), introducing the item, drew attention to document IDB.23/CRP.5, which provided details of the financial status of the integrated programmes. Also, a document containing progress reports on individual countries and newsletters giving information on the programmes in course of implementation were being made available to delegations.

69. **Mr. PAULINICH** (Peru), speaking on behalf of the Group of 77 and China, expressed satisfaction at the efforts devoted to formulating integrated programmes, in particular the innovative fashion in which that exercise had been carried out by UNIDO and the recipient countries, in most cases in cooperation with the prospective donors. The demand-driven approach to the development of the integrated programmes augured well for their success. However, unless additional resources were provided, the Organization would be unable to implement the projects. The Group of 77 and China considered that the decision for the unilateral scaling down of integrated programmes by UNIDO without the prior consent of the recipient countries should be reviewed, especially since the programmes had been prepared with the cooperation of those countries under the joint ownership principle. The integrated programmes should not be static but any adjustment to them should be made with the mutual consent of the parties concerned. Their successful implementation should be the major achievement of UNIDO's reforms. Thus every effort should be made to ensure the provision of adequate resources for that purpose. The Director-General should intensify the consultations with all Member States to mobilize the necessary resources. It was their responsibility to show the necessary political and financial commitment to the Organization in order to ensure the positive outcome of its reforms. Both recipient countries and prospective donors should cooperate with the Secretariat in the integrated programme monitoring currently being conducted as part of the performance measurement system. That should help to ensure the success of the monitoring process as well as the overall implementation scheme for the programmes.

70. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, said that the up-to-date information provided on the integrated programmes under way would help Member States to appreciate their development and contribute to their promotion. It might be useful in that connection to supplement the information for potential donors in the capitals and recipient countries. The European Union was convinced that an integrated programme could evolve and should be reviewed regularly. The beneficiary country should, with UNIDO's expert assistance, adapt it as required to developments in, *inter alia*, the local situation, national government priorities and funding prospects in the light of consultations with donors, and should take into account the involvement of other development actors and UNIDO's ability to implement the programme components.

71. Mobilizing funds for the implementation of integrated programmes was a responsibility shared by all Member States, the donors, through their contributions to the Industrial Development Fund, and the recipients, with their sharing of the costs. The experience gained in the development of integrated programmes should be used in reviewing various methodological principles, for example, to define more clearly favourable criteria for the follow-up or formulation of an integrated programme, which might include the beneficiary country's political, financial and technical involvement in the programme's preparation and implementation, its situation regarding its obligations towards the Organization and the interest in the programme within the community of potential donors. The European Union was ready to take an active part in any discussions on those issues. It encouraged the beneficiary countries, with the assistance of UNIDO, to increase their efforts to mobilize resources. Their commitment to promoting programmes prepared at their request by UNIDO was the best argument for those programmes in the eyes of bilateral and multilateral donors.

72. When developing or reviewing an integrated programme, UNIDO should initially consider producing one summary document which provided a framework consistent with the national priorities of the recipient country and whose components would be more precisely defined as appropriate funding was mobilized, thereby providing better control of programme preparation costs. The beneficiary country and UNIDO should include in the programme document procedures for reviewing elements of the programme and time limits beyond which the programme, or some of its components, should be abandoned or reformulated. It was essential for UNIDO to strike a balance between resources allocated for the implementation of existing programmes, which should be a priority, and the preparation of any new programmes.

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.23/14)

73. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, said that the

progress report by the Director-General (IDB.23/14) dealt with only very general principles and provided little specific information on the operational activities for development. Since the annual report would as a matter of course contain relevant information on those activities, the European Union could support the thrust of the draft decision submitted on the item (IDB.23/14, para. 12), although the text of that decision should be considered in detail in the course of the current session.

The meeting rose at 12.40 p.m.